

**State CIO
Agency IT Plans
2007 – 2009 Biennium**

**Agency Name:
NC Office of Commissioner of Banks**

July 2006

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Department Overview

Mission Statement

The mission of the NC Office of Commissioner of Banks (NCCOB) is to promote confidence in the integrity of North Carolina's financial services industries through regulatory oversight and enforcement of consumer protection laws and to foster increased public participation in and benefit from North Carolina's financial services industry.

Vision

The NC Office of Commissioner of Banks has a very detailed and precise vision. The NCCOB Vision Statement has been included in the Appendix of this document.

Chapter 1 - Departmental/Agency Strategic Business Initiatives and Major Business Requirements

NCCOB is in the process of moving to a performance based pay system in an effort to be the best bank regulatory agency in the county. NCCOB must upgrade their regulatory skill sets to be commensurate with the size and sophistication of the banks under our jurisdiction. To realize these goals, NCCOB must enhance the services and tools provided to the public consumer, to the industries regulated by the Commission and to the NCCOB employees who support these industries. NCCOB must also conduct research in the form of surveys to the public and regulated entities to assess the progress towards these goals without bias.

Chapter 2 - Requirements for Transitioning Existing IT Activities/Resources

Current projects

Mobile Broadband:

A pilot project for mobile broadband capability for the NCCOB offsite examiners and investigators was recently started to provide these individuals with the resources needed to do their job. This test pilot will give insight to whether or not we want or need to pursue expanding to mobile broadband capabilities where it's deemed necessary.

National Mortgage Licensing System:

Currently, there is an initiative by the Conference of State Bank Supervisors (CSBS) taking place to create a National Mortgage Licensing System that will

replace a portion of the functions that the NCCOB's current Mortgage System provides. The National System is not scheduled for implementation until 2008 and NCCOB's plan is to begin to migrate to the National System in June of 2008. The current NCCOB Mortgage System will need to be modified to integrate with the National System. These changes are not identified at this time and are dependent on the progress of the National System.

Electronic Document Storage and Retrieval:

NCCOB is rapidly running out of office space for files that are received from the various licensing, regulation and examinations done by the agency. A way to store these documents electronically will alleviate the physical space issue. An initiative have been started to implement an electronic storage and retrieval system for these documents. It will not be a full electronic document managing system, but will allow documents to be stored and retrieved electronically. Capability to review the electronic documents should be integrated with the NCCOB Online system for easy retrieval of pertinent information.

Applications

Applications which are candidates for on-going normal maintenance:

- NCCOB Online
- NCCOB Website

Applications which are candidates for modernization/enhancement:

- NCCOB Intranet Website

Infrastructure assets

The NCCOB infrastructure needs are handled by the NC Commerce MIS support staff.

Operations/IT management

Enhancements and initiatives are prioritized by NCCOB senior management according to the business need and work schedule of the IT programming staff. Biweekly meetings are held to discuss the progress of these enhancements and initiatives. Application and/or IT concerns and/or issues are also discussed during these meetings.

Human resources

NCCOB's applications development staff is comprised of contractors along with two NCCOB employees who work along side the contractors to support the applications. The current Keane contract with NCCOB is valid through October 2007. It is NCCOB's plan to employ more internal staff to help reduce the need

for a contracting staff of four. It is imperative that any individual hired by NCCOB for this purpose be highly skill with significant experience using object oriented programming, relational databases, and C# programming using the Microsoft .NET development tools and methodologies.

Chapter 3 - IT Specific Economic-Driven Requirements or Opportunities

Significant cost reduction and improved services will be derived from a number of initiatives to be undertaken and/or completed.

Increasing the online application capabilities with the NCCOB Online system will continue to reduce the cost associated with the processing of receiving these applications via mail, handling of the checks and money orders and the manual entry into the NCCOB database. All of these processes are done by the licensed entity instead of an NCCOB employee as the applications are entered online and payments are processed through the NC Common Payment System. This online process also reduces the chance of data entry error.

Having the NCCOB intranet site available to off-site employees will be a cost savings since support provided currently by on-site staff to relay information to the off-site employees would no longer be necessary. The ability for the off-site employee to have direct access to the most recent documents and information provided by NCCOB would be a tremendous help.

Chapter 4 - IT Initiatives Developed From and Aligning With Plan Drivers

Initiative 1

The NCCOB intranet site needs to be readily available to the NCCOB employees who are not on the State network. NCCOB will initiate a project that will allow their employees to get to this site securely from any internet connection. Development of the NCCOB intranet portal should take place within the next year.

Initiative 2

The Operations application section of the NCCOB Online systems needs a way of reconciling fees with the various other systems within NCCOB Online. Currently, fees are recorded in both Operations application and the appropriate application for the given industry that receives the fees. No reconciliation is currently done by the system. System reconciliation will avoid extraneous data entry and provide easier tracking and reporting capabilities.

Initiative 3

NCCOB Online enhancements necessary to support the newly adopted business model that have been identified to date are as follows (more enhancements may be necessary as this business change takes affect):

- Additional tracking and reporting mechanisms to help track NCCOB employee performance and support the NCCOB pay for performance initiative.
- Online application for Consumer Industries to be consistent with the ability for online renewals which are currently available.
- Online application and payment for Banking applications, assessments, etc.
- Online education course renewals and registrations along with online surveys to find areas for improvement.

Initiative 4

In an effort to stay current with technology, NCCOB should migrate to SQL Server 2005.

Appendix:

OFFICE OF THE COMMISSIONER OF BANKS March 2006

VISION STATEMENT

Confirmation of Effectiveness of NCCOB Mission and Vision

The effectiveness of NCCOB with regard to the implementation of its mission and vision will be assessed through regular surveys of the stakeholders in the NCCOB, the public, and the regulated industries, through surveys conducted by independent research organizations. The surveys shall deal with the following issues:

The Public

Surveys of the public shall be designed to determine:

- Confidence in the integrity of the financial services industry in North Carolina (including all of the institutions regulated by NCCOB). For purposes of the survey “integrity” shall include (i) the financial stability of the industry in question and (ii) the fairness of the industry in dealing with its customers.

- Understanding of and confidence in the NCCOB and other government agencies in promoting integrity in the financial services industry.
- The level and effectiveness of public participation in the financial services marketplace in North Carolina.
- Understanding of and confidence in the NCCOB and other government agencies in promoting effective public participation in the financial services marketplace.

Regulated Industries

Surveys of regulated industries shall be designed to determine:

- The efficiency and effectiveness of NCCOB processes to which they are subject under applicable law.
- Understanding of and confidence in NCCOB to promote public confidence in the industry in question and full public participation in the financial services marketplace through such participation.

The first of such surveys shall be used to establish a baseline. Comparable surveys shall be conducted annually thereafter to assess the impact of the implementation of the NCCOB Mission and Vision Statements.

The Office of the North Carolina Commissioner of Banks (“NCCOB”) will implement its Mission Statement through a program of activities that achieve results that are independently verified or verifiable, as follows:

Regulatory Oversight. Regulatory oversight comprises the licensing, examination, and supervision of financial enterprises.

- A. **Licensing.** The review and processing of applications to determine whether applicants meet the requirements of character, fitness, and financial responsibility required by applicable laws, to protect the public interest and the reputation of the regulated industries.
- B. **Examination.** Examination of the books, records, transaction files, and other corporate records to ensure compliance with law and conformity with industry standards and best practices.
- C. **Supervision.** Monitoring, consulting with, and educating banking organizations, with particular attention to their safe and sound operation.

NCCOB’s regulatory activities apply to state-chartered banks, trust companies, savings banks and savings and loan associations (“banking organizations”); mortgage bankers, brokers, loan officers, and reverse

mortgage lenders (“mortgage industry”); and consumer finance companies, check cashers, money transmitters, and tax refund anticipation loan facilitators (“consumer industries”).

Performance objectives for each of these activities by industry group are set forth below.

Banking Organizations.

A. Licensing

Quality of institutions chartered. Over a rolling 3-year period, no more than 10% of *de novo* banks chartered by NCCOB will be rated CAMELS composite “3” or worse during first three years and 85% will be rated “2” or better after three years. Banking organizations will no longer be considered to be *de novo* institutions after three full years of operation.

- 90% of all banks supervised by NCCOB will meet or exceed the requirements to be “Well Capitalized” as defined in the Prompt Corrective Action rules contained in Part 325 of the FDIC Rules and Regulations.
- 65% of all banks supervised by NCCOB will have sustained profitability.
- 90% of all banks supervised by NCCOB in operation 3 years or more will have sustained profitability.

(“sustained profitability” is defined as having positive net income on a monthly basis, after making adequate provision to the allowances for loan and lease losses (ALLL) for a continuous period).

Timeliness of processing various applications:

- Charter applications – will be processed not more than 75 days from receipt of satisfactory application.
- Merger applications- same as above.
- Branch applications- will be processed not more than 14 days from receipt of tearsheet and affidavit of publication, with satisfactory application.
- Thrift-to-bank charter conversion – will be processed not more than 75 days from receipt of satisfactory application, provided any required visitation is completed within this time frame.
- National to state bank charter conversions – will be processed not more than 30 days from receipt of satisfactory application, provided any required visitation is completed within this time frame.

It is understood that processing of an application does not imply automatic approval. The performance measured above relates to response to properly filed applications.

Rating by industry. NCCOB will be rated satisfactory or above by 80% of banking organization managements and counsel, as determined by a survey conducted by an independent third party regarding their experience with the NCCOB applications process and staff, with emphasis on accuracy, reliability, relevance, and timeliness.

B. Examination

Frequency of examinations. All NCCOB supervised banks will be examined at intervals prescribed by State law or Federal guidelines. More frequent examinations may be conducted as deemed necessary through offsite surveillance systems such as monthly meetings of the Self Evaluation Program (SEP) group, Offsite Analysis Section, or other safety and soundness considerations.

Timeliness of Processing Examinations. Report turnaround time on safety and soundness and specialty examinations should average no more than 30 calendar days from completion of the examination to mail date of the report. This standard can be expected on independent examinations only since the Agency does not have complete control over joint examinations.

Peer Review.

- NCCOB will achieve at least an 85% rating for the Examinations module within the certification program by the Education Foundation of State Bank Supervisors (EFSBS).
- Assigned CAMELS component and composite ratings for state-processed reports should not decline by more than one step at the next examination by federal banking agencies. Ratings declines of more than one step should not occur more than once in a two-year period.

Industry Confirmation. NCCOB will be rated satisfactory or above by 80% of banking organization management, as determined by a survey regarding their experience with the NCCOB examination staff, with emphasis on accuracy, reliability, relevance, service and timeliness.

C. Supervision

Peer Review. NCCOB will achieve at least an 85% rating for the Supervision module within the certification program by the Education Foundation of State Bank Supervisors (EFSBS).

Directors' College. Directors' College will be rated satisfactory or above by 85% of attending state bank directors and CEOs as determined by a survey at the end of the session.

Mortgage Industry.

A. Licensing

Timeliness of processing various applications:

- Mortgage Lender, Broker, and Banker applications – will be processed not more than 45 days from receipt of an accurate and complete application.
- Loan officer application – will be processed not more than 10 days from receipt of an accurate and complete application.

As is the case with banking, processing of an application does not imply approval. The performance measured above relates to response to properly filed applications.

- *Rating by industry:* NCCOB will be rated satisfactory or above by 80% of mortgage industry management, as determined by annual surveys of each corporation operating mortgage industry licensees in this state, conducted by an independent third party regarding their experience with the NCCOB applications process, examinations and staff with emphasis on accuracy, reliability, relevance, and timeliness.

B. Examinations

Mortgage Lenders and Mortgage Brokers will be examined to assess their compliance with applicable laws and regulations and conformity with generally accepted industry standards and best practices. Examination of mortgage companies will be conducted in a manner that achieves the following results:

Frequency and Ratings:

- *Ratings criteria.* At least 75% of mortgage companies examined should be rated “3” or better for companies open three years or more, and no mortgage company should be rated lower than a “3” after its second examination. Ratings will be assigned at a corporate level, based upon a top-down examination of the corporation to assess management, policies, procedures, and controls.
- *Ratings by licensees.* NCCOB Mortgage Division will be rated overall satisfactory by mortgage companies under its regulation, based on an annual survey conducted by an independent third party.

- *Frequency.* The mortgage examiner supervisor will assign approximately 10-12 examinations to each examiner each month enabling the Mortgage Division to examine every mortgage banker and broker at least once every 12-18 month period.
- *Timeliness of processing mortgage company examination reports.* Priority of reporting examination findings will be based on the issues and violations discovered on the examination. Examination reports on companies with major violations and issues will be written and filed with supervisor no later than 14 days from completion of the examination. Reports on companies with no violations or major issues will be filed no later than 30 days from completion. Follow up by management of the Mortgage Division to companies includes a letter describing the findings of the examination.

Consumer Industries.

A. Licensing

Timeliness of processing various applications:

- Initial license applications – will be processed not more than 35 days from receipt of an accurate and complete application.
- Branch office applications – will be processed not more than 14 days from receipt of an accurate and complete application.
- Office relocation applications – will be processed not more than 14 days from receipt of an accurate and complete application.

It is understood that processing of an application does not imply automatic approval. The performance measured above relates to response to properly filed applications.

Rating by industry. NCCOB will be rated satisfactory or above by 80% of consumer industry management, as determined by annual surveys of each corporation operating consumer industry licensees in this state, conducted by an independent third party regarding their experience with the NCCOB applications process, examinations and staff, with emphasis on accuracy, reliability, relevance, and timeliness.

B. Examinations

Frequency of Examinations. Consumer finance companies, check-cashers and money transmitters will be examined to assess their compliance with applicable laws and regulations and conformity with generally accepted industry standards and best practices. Compliance examinations for consumer finance companies will be conducted not less than once every 12-18 months. All centralized

check-casher companies will be examined for compliance not less than once every 18-24 months, with stand-alone company branches being examined not less than every 12-18 months.

Timeliness of processing examination reports. Companies will be issued a report of examination no later than 30 days from the date the report is submitted to the Raleigh office by the examiner.

Ratings criteria. Annually, at least 80% of consumer finance companies, check-cashers, and money transmitters will be rated “2” or better, and no consumer finance company will be rated worse than “3” after its first two years of operation. Ratings will be assigned at both a corporate level, based upon a top-down examination of the corporation to assess management, policies, procedures, and controls over its offices, and at the “shop” level, if applicable, for each branch. These ratings will be used to help determine frequency and scope of future examinations.

Ratings by licensees. NCCOB Consumer Industries Division will be rated overall satisfactory by consumer finance and check cashing licensees under its regulation, based on an annual survey conducted by an independent third party.

Enforcement of Consumer Protection Laws

NCCOB is expressly charged with the enforcement of a number of consumer protection laws, including the North Carolina Mortgage Lending Act, the North Carolina Consumer Finance Act, and the North Carolina Check Cashers Act. In addition, NCCOB processes consumer complaints in respect of industries, such as banking, where it has no express enforcement authority in furtherance of its mission to support and maintain the integrity of the financial services industries of the state. Enforcement activities, therefore, comprise (i) handling of consumer complaints; and (ii) investigation and prosecution of consumer protection statutes for which NCCOB is the designated enforcement authority.

Performance objectives for these activities are set forth below.

A. Consumer complaints

To implement and ensure adherence to an unbiased consumer complaint program that seeks timely and complete resolution to consumer complaints. If NCCOB, does not have enforcement authority, timely and complete resolution means referral of a complaint to the appropriate agency for resolution.

When circumstances warrant it, timely and complete resolution may mean referral to the NCCOB Investigations unit or to the

Office of the North Carolina Attorney General or other law enforcement agency.

Timeliness of processing various complaints and requests for information:

- Consumer complaints shall be processed, based on the initial complaint, not less than 48 hours from day of receipt of a completed complaint form and associated documentation required for processing.
- Consumer requests for information shall be processed immediately or within 24 hours of receipt of such requests. If this process is deemed to take longer than the 24 hour period, complainant will be notified of a time to expect a response.
- To provide access to general complaint information via website.
- To provide information to the public on the role of licensed financial enterprises and their services.
- To provide information to the public on the role of NCCOB with regard to complaints.

Complaint Ratings by Industry:

- The number of complaints received and processed will be used to calculate a baseline average time for processing complaints which should not exceed 48 hours.
- To track adequate responses from respondents that the NCCOB deem as an adequate response to the complainant's concerns.
- To increase the complainant's satisfaction with the responses received with regard to covering the concerns outlined in their complaint by 10% each year.
- To conduct random on-line survey of complainants and respondents to determine the satisfaction level of NCCOB complaint process experience with an emphasis on timeliness and customer service with a goal of 80% satisfaction level.
- Will track the number of complaints received per industry type with a goal of recommending at least one industry best practice per year for the industry type with a number of 50% or higher.

B. Investigations

To ascertain the facts of complaints and allegations of violations of law submitted to the NCCOB on licensed financial enterprises. To be well-versed in all law relating to NCCOB licensed financial enterprises and to document facts presented and determine validity of allegations submitted for cases under investigation.

Timeliness of processing investigations. Investigations shall be assigned to an investigator to document facts and determine the

validity of allegations submitted where it appears there has been a violation of the law. Investigation timeframe will vary depending on the investigative plan for each case.

- Investigators will design an investigative plan and conduct interviews to document facts of complaints and allegations and submit an investigative case report with a recommendation to proceed or not proceed with an administrative action. Investigators will then submit finalized case reports within two weeks of completing the investigation.

Ratings by Industry:

- To assist with follow-up on enforcement actions of financial enterprises or licensed individuals placed under an order or administrative action within 12 months of the date of the order by participating in targeted examinations of financial enterprises.
- Disclosure of enforcement actions will be available on NCCOB website within 30 days of the date of the order.

Fostering Increased Public Participation In and Benefit From North Carolina's Financial Services Industries. This aspect of NCCOB's mission involves (i) fostering innovation and competition among financial services providers, thus conferring the benefits of competition on North Carolina's citizens and businesses; and (ii) increasing the participation in the financial services marketplace of low and moderate income persons. NCCOB's goals for these activities are as follows:

A. Competition and innovation

To be the chartering agency of choice for banking organizations seeking to serve North Carolina, to be an **attractive (by seeing an increase in the number of applications received by banks intending to provide specialized or innovative services within a certain timeframe)** alternative for banking organizations intending to provide specialized or innovative services to niche markets both intra and interstate, and to process the various bank applications in a manner that is both timely and efficient, while protecting both the industry and the public it serves by preserving its financial and managerial integrity.

B. Financial Services for the Poor and Working Poor

To provide information to the poor and working poor about the financial enterprises and the availability of their services so the number of citizens in NC that currently do not utilize the banking system will increase. To conduct community workshops in conjunction with the

financial enterprises which provide information on opportunities and programs for the working poor.

- In FY 2005-2006, NCCOB, working with its business and non-profit partners shall establish a base line estimate of the number of unbanked and underbanked persons in North Carolina.
- In FY 2006-2007, NCCOB shall establish pilot projects designed to increase effective participation in the banking system by members of the target market numbering not less than 1,000 persons.
- In FY 2007-2008 and every year thereafter, programs sponsored by NCCOB shall increase such participation by not less than 20% over the prior fiscal year's performance.

Support Functions. In order to achieve its goals, NCCOB will have to achieve superior performance in all of its support activities. NCCOB's goals for these activities are as follows:

Human Resources. EFSBS* rating of no less than 90% in NCCOB's next certification review in the area of Personnel.

Education and Training. EFSBS rating of no less than 90% in the area of Training.

Senior Management. EFSBS rating of no less than 90% in the area of Department Administration and Finances.

Commissioner. EFSBS rating of no less than 90% in the area of Legislation.

*Education Foundation of State Bank Supervisors, the examiner education and certification arm of the Conference of State Bank Supervisors (CSBS).